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## Nonappropriated Fund Revenues

### Chapter 7

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#### **FEE GUIDELINES**

The two most common sources of income are parent fees and reimbursement from participation in the USDA food program. The following guidance is provided to maximize NAF revenues and increase standardization throughout the Navy. The goal is to minimize financial hardship to parents but recognize that adequate revenues are necessary to meet high standards and provide sufficient availability and capacity for families. Compared to similar programs in the private sector the cost for lower income groups is less than half of what they would pay in the private sector, particularly for younger children.

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#### **PARENT FEES**

The Military Family Act Public Law 104-106 of 10 February 1996, section 1793 of Title 10, United States Code requires the Department of Defense (DoD) to prescribe uniform fee regulations for Military Child Development Centers. Fees are to be based on Total Family Income (TFI) and apply to all children who attend the program on a regular basis. Fees are used to compensate caregiver wages and supplies. The law requires a “50/50 match” which means APF support must at least equal the income received from parent fees. The law also authorizes the use of APF for cash subsidies to Child Development Home (CDH) providers. While the law does not mandate fees for CDH, Navy policy requires that when CDH providers receive cash subsidies to reduce the cost to parents, parents will pay the same or lower rate as they would in the on-base Child Development Center with APF subsidizing the difference. Chapter 6 explains CDH subsidies in detail.

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**DoD FEE  
POLICY**

DoD updates the mandated fee scale based on inflation rates annually. Historically this results in a \$1 - \$2 increase per week in each category. New fees must be implemented by 1 October of each year to coincide with the school year (fiscal year). Parents must be given a 30-day notice of fee changes and the fee remains in effect for at least one year.

DoD's theory to base fees on TFI, instead of on the age of the child which is common in the private sector, has been that junior enlisted usually have infants and toddlers who are more costly to care for. The fee structure subsidizes these lower paid personnel when they need it most. As their children get older and their income increases, the government subsidy is reduced and they pay a greater share of the costs. However, care for all income groups is subsidized; just less for higher income categories.

**FY00  
DoD FEE  
ANALYSIS**

The following charts provide a fee analysis summarizing child care fees for school year 1999/2000 throughout the Department of Defense.

Chart 1 provides the average DoD weekly fee by income category, the percent of users in each category, the percent of total family income, percent of total cost, and the average fee per hour which includes meals and snacks.

**FY00 DoD Fee Analysis****Chart 1**

<b>Income Category</b>	<b>DoD Average Weekly Fee</b>	<b>Users</b>	<b>% of Total Income</b>	<b>% of Total Cost</b>	<b>Estimated Fee Per Hour*</b>
1 0-\$23K	\$49	9%	11-13%	33%	\$.98
2 \$23-\$34K	\$59	28%	9-13%	40%	\$1.18
3 \$34-\$44K	\$71	20%	8-11%	48%	\$1.42
4 \$44-\$55K	\$82	20%	8-10%	55%	\$1.64
5 \$55-\$69K	\$94	16%	7-9%	63%	\$1.88
6 &70K+	\$102	7%	8% or less	69%	\$2.04

\* Cost includes two meals and snacks

**NAVY SAMPLE  
PERCENT OF TFI  
FOR ONE CHILD**

Chart 2 provides a sample of Navy Total Family Income for one child for school year 1999/2000. Activities should provide similar analysis using local demographics and military pay scales.

**NAVY SAMPLE  
Percent of TFI for One Child**

Chart 2

Pay Grade	Location	Of Family Income	Pay Grade	Location	% of Family Income
Single E-3	Norfolk	13%	Dual O3/O3	DC	5%
Single E-3	Memphis	13%	Dual E-3 & E-4	Norfolk	8%
Single E-5	San Diego	10%	Dual E-6 & E-5	Memphis	8%
Single O-3	San Diego	9%	E-5 w/working spouse	Memphis	9%
Single O-3	Memphis	8%	E-6 w/working spouse	Norfolk	8%

**FY00 DoD  
CHILD CARE  
FEE BY SERVICE**

Chart 3 indicates the percent of users in each category and the average weekly fee paid by each Service.

**Summary of FY00 DoD Child Care Fee By Service**

Chart 3

Income Category	USA		USN		USMC		USAF		DoD	
1	10%	\$45	10%	\$50	8%	\$49	8%	\$51	9%	\$49
2	30%	\$55	26%	\$61	32%	\$60	25%	\$61	28%	\$59
3	20%	\$67	18%	\$73	22%	\$72	19%	\$73	20%	\$71
4	16%	\$79	20%	\$84	19%	\$81	23%	\$83	20%	\$82
5	17%	\$92	17%	\$96	16%	\$94	15%	\$95	16%	\$94
6	7%	\$92	9%	\$107	3%	\$105	10%	\$105	7%	\$102

**FY00 DoD CHILD  
CARE FEE REPORT  
(cont.)**

Chart 4 indicates the average weekly fee for each Service, the number of sites using the high cost fee option, and the number of hardship waivers granted. This chart reflects the fact that many Navy sites are located in high cost areas and therefore have higher labor cost associated with the program. Commanders are authorized to waive the mandated fees based on documented financial hardships such as divorce, illness, etc.

**Summary of FY00  
DoD Child Care Fee Report (cont.)  
Chart 4**

Average Weekly Fee Reported	USA	USN	USMC	USAF	DoD
	\$69	\$77	\$72	\$77	\$74
High Cost Options Sites	15	20	2	6	43
Hardship Waivers	150	73	38	125	386

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**PRIVATE SECTOR  
COMPARISON**

A comparison to the civilian sector average for comparable quality child care centers is 12%-25% of total family income (based on 1995 Cost, Quality, and Child Outcomes Study conducted by the Universities of Colorado, Los Angeles, North Carolina, and Yale). This comparison shows that a lower income worker in the private sector can pay as much as 25% of total income for child care for one child, compared to 13% for an E-3 in Norfolk or San Diego. Conversely, higher income military personnel can pay as little as 5% of total income compared to 12% in the private sector. Additionally, a 1998 Children's Defense Fund report stated that a lower income worker can pay as much as 30%-50% of their income on child care.

It is important to share the subsidy information with parents to help them appreciate the economic value of Navy child care support.

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**DoD FEE  
SCHEDULE  
FOR FY01**

The DoD fee schedule, effective 1 October 2000 is shown in Chart 5 below and represents a 1.5% inflationary increase across the board.

**DoD Fee Schedule For School Year 2000/2001**  
**Chart 5**

Category	Total Family Income	2000-2001	Increase per Week
I	0 - \$23,000	\$40 - \$53	\$1
II	\$23,001 - \$34,000	\$50 - \$64	\$1
III	\$34,001 - \$44,000	\$61 - \$76	\$1
IV	\$44,001 - \$55,000	\$74 - \$86	\$1
V	\$55,001 - \$70,000	\$88 - \$100	\$1
VI	\$70,001 +	\$103 - \$114	\$2

**SETTING NAVY  
FEES FOR  
SCHOOL YEAR  
2000/2001**

The challenge in setting fees is considering how to pay the increased costs of Child Development Center operations and balancing the needs of junior enlisted families without driving higher income personnel out of the Navy program. The historical practice of raising the rate structure by 1.5% each year to keep pace with inflation results in a marginal increase to patrons but does not cover the child care worker's wage increase (e.g., 4.8% in FY01). Other efficiencies must be found to offset the increased labor costs.

Commanders are authorized to set fees for each income category within the ranges provided annually by DoD. When setting fees at the base and regional level:

- Survey and conduct a comprehensive private sector analysis each year at the installation and/or region. The analysis should include non-profit, for-profit and employer-sponsored child care fees. It should be by age group and include accredited and state licensed centers with an explanation of the high quality provided in Navy programs and the value received for the dollar. This information should be made available to parents and command leadership and be updated annually.

**SETTING NAVY  
FEES FOR  
SCHOOL YEAR  
2000/2001 (cont.)**

- Generally you want to maximize revenues, but you must consider local demographics and income potential. While regional fee policies are encouraged, there may be exceptions for locations that are isolated and remote or in low cost areas and do not warrant charging the same fees as in the high cost area. Recommend charging fees at the high end of income categories four through six depending on the local market. High fees for these categories may have the potential of driving away upper income groups who would likely find competitive civilian alternatives, particularly for ages three to five years. We need the income from this higher paid group, and programs need to operate at capacity to keep the CDP solvent. Also, keep in mind the increase of the State and Federally subsidized programs and the impact it can have on your revenue projections.
- Consider the effect that center fees will have on the CDH subsidy program. Lower fees in the centers will increase the cost of CDH subsidies because the parent will pay less and the government more to make up the difference.
- Remember, Commanders are authorized to grant hardship waivers on a case by case basis.

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**ADDITIONAL  
NAVY FEE  
POLICY GUIDANCE**

To further standardize fees the following Navy policy is required for MEO approval.

- Fees for care must be paid in advance.
- Fees must include all meals and snacks
- Fees will be charged for 52 weeks per year. Vacation and sick leave discounts are not authorized. Parents currently receiving vacation discounts can be grandfathered for up to one year.

**ADDITIONAL  
NAVY FEE  
POLICY GUIDANCE  
(cont.)**

- A 10% multi-child discount is authorized for each additional child from the same family. Families currently receiving more than a 10% multi-child discount can retain the benefit for up to one year for the children currently enrolled. New children in the same family may receive the 10% discount.
- Late fees are authorized if children are not picked up during the posted hours of operation.
- Late payment fees are authorized if weekly payment is not received within the time frame identified by local procedures.
- Support to families (e.g. parent's night out, special event care, etc.) will not be included in the standard weekly fees. There will be an additional charge for such services and these services must be self-sustaining. Costs can be reimbursed by Commands, other associations, or by assessing a user fee.
- Additional fees will be charged for hourly care regardless of the setting. CDH is recommended as the most cost effective method of providing hourly care and is discussed in Chapter 6. Hourly care can be provided in centers but only on a space available basis (e.g. spaces not used for full-time care for a particular day due to absence). Dedicated hourly care facilities must be self-sustaining either by user fees or reimbursement (e.g., hospitals pay for medical appointments).
- Patrons must give 2 weeks notice when terminating care to avoid paying for care that is not needed and to enable expeditious filling of vacancies.

**ADDITIONAL  
NAVY FEE  
POLICY GUIDANCE  
(cont.)**

- Part-day preschool programs in centers are authorized where space is available. Parent fees should offset the total cost of preschool programs. Partnerships with school districts, Head Start, etc. that benefit military families are also strongly encouraged when space is available.

**NOTE:** Navy Region, Southwest standardized their fee to maximize income. Regardless of demographic area (Fallon, Nevada or San Diego, CA), parent fees are charged at the high end of the high cost on the DoD fee schedule for each income category. Also, there are no discounts to multi-child families and fees are paid for enrollment, not attendance. At the onset of Navy Region, Southwest's MEO, six out of twelve bases were charging parent fees at the high end of the fee schedule.

**CALCULATION  
OF TOTAL  
FAMILY INCOME**

The definition of "family" when computing TFI is: any adults, married or not, residing together as one economic unit and sharing living expenses toward the benefit of the children in residence. In the case of divorced or legally separated parents, only the sponsor who has physical custody of the child must provide income information.

Total Family Income is defined as "all earned income" including wages, salaries, tips, long-term disability benefits, voluntary salary deferrals, quarters allowances and subsistence received by a military member and adult residing together and sharing living expense to benefit the child in residence. It also includes pay for service in a combat zone or anything else of value, even if not taxable that was received for providing services. Quarters allowances and subsistence allowances mean Minimum Basic Allowance for Housing (BAH) and the Basic Allowance for Subsistence (BAS) received by military personnel (for grade and status) and the value of meals and lodging furnished in-kind to military personnel residing on military bases.



**CALCULATION  
OF TOTAL  
FAMILY INCOME  
(cont.)**

Total family income does not include cost of living allowance (COLA) received in high cost areas, alimony and child support, temporary duty allowances or reimbursement for educational expenses, veterans benefits, workers compensation benefits, or unemployment compensation.

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**MAXIMIZE  
USDA  
INCOME**

Chapter 5 provides guidance on cost effective food service. Separate contracts are required for CDC and CDH. When developing the contract remember to account for all equipment and supplies related to the operation of the USDA program. Items that are reimbursable include: training costs and supplies; travel; salaries for clerical support and/or food program monitors (NAF only); marketing costs and supplies; office equipment; forms used in the USDA food program and printing costs. All USDA expense must be documented or they will not be reimbursed. Be careful when completing the USDA food program production worksheets as part of the food planning process to make sure menus meet USDA requirements. This is the area where many discrepancies are found during USDA food program reviews causing the programs to be penalized by having to repay funds from the USDA food income. Process USDA reports in a timely manner. Check and double check for accuracy. During the USDA food program reviews, take the discrepancies very seriously. Often programs are penalized on future earnings so it does not seem like such a hit financially. Many programs lose money in the current year because of a reduction in earnings caused by discrepancies found in previous years.

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**MISCELLANEOUS  
REVENUE  
OPTIONS**

To maximize income and cost efficiencies, MWR and CDP managers should explore and identify other funding sources and opportunities, some of which may be installation specific. Networking and establishing partnerships with the military and civilian communities also contribute to creative solutions and cost savings. Examples may include:

- Combined Federal Campaign (CFC) donations
- Recycling dollars
- Commissary donations
- Special Interest Group Donations
- Partnerships with community colleges and universities for training resources, intern programs, and job fairs
- Partnership with Welfare-to-Work program
- Partnerships with military community and commercial vendors for bulk purchasing rebates and other in-kind services such as medical supplies, arts and crafts materials, and training
- Partnerships with Head Start, local schools, etc. to expand availability of care, maximize facility utilization, share training space/resources

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**INCOME  
PROJECTIONS**

See *Chapter 10 Worksheet #6 "Parent Income Projections"* and *Worksheet #8 Cost Summary*, for additional guidance in projecting income.

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